

Message Text

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ORIGIN EB-07

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FM SECSTATE WASHDC
TO USMISSION GENEVA

UNCLAS STATE 155953

FOR CHIEF TEXTILE NEGOTIATOR MICHAEL B. SMITH

E.O. 11652: N/A

TAGS: ETRD

SUBJECT: HONG KONG - U.S. TEXTILE NEGOTIATIONS

REF: A) HK 7508 B) HK 7018 C) GENEVA 4886 D) GENEVA 821

1. WE WOULD APPRECIATE ANY COMMENTS YOU MAY HAVE ON PROPOSED
MESSAGE TO CONGEN HONG KONG REGARDING HONG KONG'S REPORTED
PROBLEM IN PROCEEDING TO CONCLUDE AND RATIFY PROPOSED BI-
LATERAL AGREEMENT.

2. BEGIN SUGGESTED MESSAGE, QUOTE:

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REPORTS FROM CONGEN AND REQUEST LAST WEEK FROM HONG KONG REPRE
SENTATIVES HERE FOR CLARIFICATION OF US. POSITION ON GROWTH

RATES POINT TO SOME AMBIVALENCE ON THE PART OF HONG KONG
REGARDING CONCLUSION AND RATIFICATION OF BILATERAL AGREEMENT
BASED ON GENERAL UNDERSTANDINGS REACHED BY DELEGATIONS OF
TWO GOVERNMENTS IN GENEVA. HONG KONG'S UNCERTAINTY ABOUT

WHETHER TO PROCEED WITH PROPOSED AGREEMENT FOLLOWS PROTRACTED AND STRONGLY CONTESTED NEGOTIATIONS IN WHICH BOTH SIDES MADE SIGNICANT CONCESSIONS. WITH THIS STAGE OF THE NEGOTIATIONS NOW OVER, HONG KONG AUTHORITIES MUST NOW DECIDE WHETHER THEY WISH TO PROCEED ON BASIS OF UNDERSTANDINGS REACHED OR NOT. WASHINGTON AGENCIES REGARD THIS DECISION

AS AN INTERNAL ONE FOR HONG KONG IN WHICH INVOLVEMENT BY U.S. OFFICIALS WOULD N\$T BE HELPFUL.

IN PARTICULAR, A U S. RESPONSE TO HONG KONG'S DISINGENUOUS REQUEST FOR CLARIFICATION OF THE U.S. POSITION ON GROWTH RATES COULD NOT BE EXPECTED TO RESOLVE HONG KONG'S APPARENT PROBLEMS WITH THE UNDERSTANDINGS REACHED. HONG KONG AUTHORITIES KNOW THE PROVISIONS OF THE MULTIFIBER ARRANGEMENT (MFA) AS WELL AS ANYONE. THEY KNOW THAT THE MFA REFERS TO A SIX PERCENT GROWTH RATE ONLY IN RESPECT TO THE SECOND YEAR OF A UNILATERAL RESTRAINT IN NON-EXCEPTIONAL CIRCUMSTANCES. THEY ALSO KNOW THAT THE U.S. - HONG KONG TEXTILE TRADE RELATIONSHIP IS REplete WITH EXCEPTIONAL CIRCUMSTANCES AND THAT THE CURRENT AGREEMENT CONTAINS A ONE PERCENT GROWTH RATE FOR WOOL PRODUCTS. THEY ARE ALSO AWARE OF THE U.S. VIEW THAT THE PROVISIONS IN PARAGRAPH 3 OF ARTICLE 4 REQUIRING THAT BILATERAL AGREEMENTS SHALL, "...ON OVERALL TERMS, INCLUDING BASE LEVELS AND GROWTH RATES, BE MORE LIBERAL..." THAN UNILATERAL MEASURES MUST BE READ WITH THE UNCLASSIFIED

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EXCEPTIONAL CIRCUMSTANCE IN U.S. - HONG KONG TRADE AND THE OVERALL PROVISIONS OF THE PROPOSED AGREEMENT IN MIND.

IN SHORT, WASHINGTON AGENCIES BELIEVE THAT HONG KONG AUTHORITIES DO NOT LACK FOR UNDERSTANDING OF RELATIONSHIP BETWEEN U.S. POLICY RESPECTING MFA RENEWAL AND U.S. POLICY TOWARD PROPOSED NEW U.S. - HONG KONG AGREEMENT. FURTHER, THEY WOULD LIKE TO MAKE THAT RELATIONSHIP AS COMPATIBLE AS POSSIBLE WITH HONG KONG'S INTERESTS. THE MEASURE OF THEIR SUCCESS IS THE PROPOSED BILATERAL AGREEMENT. WHAT REMAINS TO BE SEEN IS WHETHER THEY ARE DETERMINED TO GO FORWARD WITH THE PROPOSED AGREEMENT OR PREFER TO FOLLOW SOME ALTERNATIVE COURSE.

UNQUOTE, END SUGGESTED MESSAGE. VANCE

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Disposition History: n/a
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